S
378.106
L72MCC
1996

STATE OF MONTANA

MILES COMMUNITY COLLEGE
REPORT ON AUDIT

FISCAL YEARS ENDED JUNE 30, 1995 AND 1996

STATE DOCUMENTS COLLECTION

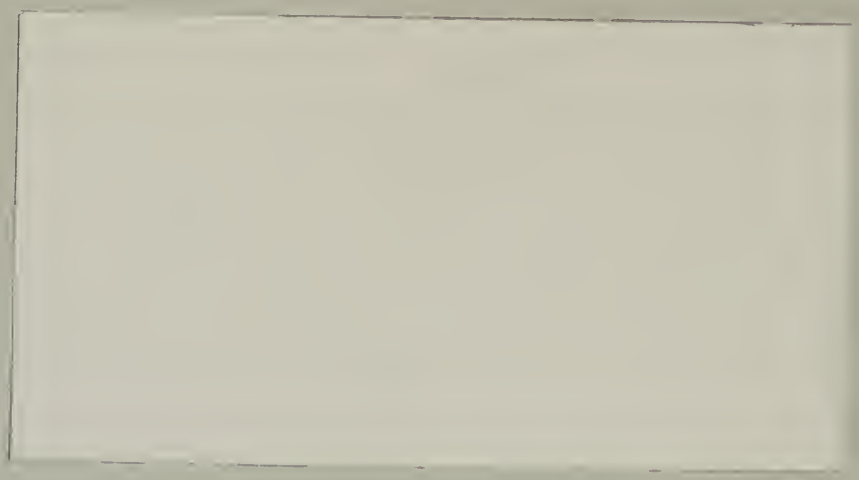
FEB 21 1997

MONTANA STATE LIBRARY
1515 E. 6th AVE.
HELENA, MONTANA 59620

PLEASE RETURN

Prepared Under Contract With:
MONTANA LEGISLATIVE BRANCH, AUDIT DIVISION
PO Box 201705, Helena, MT 59620-1705

MONTANA STATE LIBRARY
3 0864 0009 8079 0



STATE OF MONTANA

MILES COMMUNITY COLLEGE
REPORT ON AUDIT

FISCAL YEARS ENDED JUNE 30, 1995 AND 1996

CONDUCTED UNDER CONTRACT BY
C H M S, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

MONTANA LEGISLATIVE BRANCH

Legislative Auditor
Scott A. Seacat

Legal Counsel:
John Northey

Deputy Legislative Auditors:
Mary Bryson
Operations and EDP Audit
James Gillett
Financial-Compliance Audit
Jim Pellegrini
Performance Audit

LEGISLATIVE AUDIT DIVISION

November 1996

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of Miles Community College for the two fiscal years ended June 30, 1996.

The audit was conducted by Richard Weins, CHMS, P.C., under a contract between the firm and our office. The comments and recommendations contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

The agency's written response to the report recommendations is included in the back of the audit report.

Respectfully submitted,

Scott A. Seacat
Legislative Auditor

96C-04

Room 135, State Capitol Building, PO Box 201705 Helena, MT 59620-1705
Phone (406) 444-3122 FAX (406) 444-9784

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
JUNE 30, 1995 AND 1996

TABLE OF CONTENTS

	Page
Appointive and Administrative Officials	1
General	2
Background	2
Recommendations	3-5
FTE Counts	5
Prior Audit Recommendations	5
INDEPENDENT AUDITOR'S REPORT	6
FINANCIAL STATEMENTS	
Balance Sheet, June 30, 1995	7
Statement of Activities, For the Year Ended June 30, 1995	8
Statement of Cash Flows, For the Year Ended June 30, 1995	9
Balance Sheet, June 30, 1996	10
Statement of Activities, For the Year Ended June 30, 1996	11
Statement of Cash Flows, For the Year Ended June 30, 1996	12
Notes to the Financial Statements	13-20
SUPPLEMENTARY INFORMATION	
Schedule Financial Aid Modified Statement of Cash Receipts and Disbursements, For the Year Ended June 30, 1995	21
Schedule Financial Aid Modified Statement of Cash Receipts and Disbursements, For the Year Ended June 30, 1996	22

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
JUNE 30, 1995 AND 1996

TABLE OF CONTENTS

	Page
Schedule of Expenditures - Student Financial Assistance Programs, For the Years Ended June 30, 1995 and 1996	23
Schedule of Enrollment Statistics, For the Years Ended June 30, 1995 and 1996	24
INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF FEDERAL AWARDS	25
SCHEDULE OF FEDERAL AWARDS, FOR THE YEAR ENDED JUNE 30, 1995	26
SCHEDULE OF FEDERAL AWARDS, FOR THE YEAR ENDED JUNE 30, 1996	27
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	28-29
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING FEDERAL AWARDS	30-32
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	33
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL AWARDS PROGRAMS	34
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR FEDERAL AWARDSPROGRAMS	35

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
JUNE 30, 1995 AND 1996

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL AWARDS PROGRAMS	36
SCHEDULE OF FINDINGS	37-40
College Reply	41

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

APPOINTIVE AND ADMINISTRATIVE OFFICIALS

Montana Board of Regents of Higher Education

Marc Racicot	Governor
Richard Crofts	Commissioner of Higher Education
Nancy Keenan	Superintendent of Public Instruction
James Kaze	Chairman
Paul Boylan	Vice Chairman
Kermit R. Schwanke	
Pat Davison	
Margie Thompson	
Colleen Conroy	

Miles Community College Board of Trustees

1995	1996
James Lucas	James Lucas
Tom Albers	Tom Albers
Eileen Carlson	Eileen Carlson
Scott Tally	Scott Tally
Sharon Wilcox	Sharon Wilcox
Bill Bickle	Bill Bickle
Mark Griffith	Mark Griffith

Administration

Frank Williams	President
Robert Behrendt	Dean of Instruction
W. Wayne Muri	Business Manager
Dale E. Oberlander	Dean of Student Services
Fred McKee	Director of Planning and Development

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

GENERAL

We performed a financial/compliance audit of Miles Community College for the fiscal years ended June 30, 1995 and 1996. The objectives of our audit were to: (1) determine if the financial statements of the college present fairly its financial position and results of operation for the fiscal years then ended; (2) determine if the college complied with applicable state and federal laws and regulations; (3) make recommendations for the improvement of management and internal controls: and (4) determine whether prior audit recommendations have been effectively implemented.

Thank you to the Miles Community College staff for their cooperation and assistance during the audit.

BACKGROUND

Miles Community College at Miles City, Montana was founded in 1939 under authority of legislation enacted by the Montana Legislature Assembly earlier that same year. For almost twenty years the college, then titled Custer County Junior College, operated out of a few rooms in the local public high school. In 1957 the college moved into the former Milwaukee RR Depot Building. The new building is located on the present campus sight.

A resolution passed by the joint College-High School Board in January, 1970, established an independent junior college district. On April 4, 1970, voters of the district elected the first independent Board of Trustees for the College. During academic year 1971-72 the college purchased a Vo-Tech building adjacent to the campus, and completed construction of a new Student Center.

In December 1971, Miles Community College was granted full accreditation by the Northwest Association of Schools and Colleges. The fifth year review by the Northwest Association continued the full accreditation of the College and reaffirmed the quality of the program, thereby insuring the easy transfer of credits to other colleges.

A grant of 1.5 million dollars from the Montana Coal Board in 1977 enabled the College to construct a new vocation building and library-classroom addition.

Construction of a physical recreation complex was completed in November 1980. This facility includes a large gymnasium, four racquetball/handball courts, and an exercise deck with weight machines.

The college has access to a 46 unit co-ed dormitory which was ready for occupancy in the Fall of 1981.

RECOMMENDATIONS

Following is a summary of our Schedule of Findings (p. 37-40):

SEGREGATION OF DUTIES

Due to the small size of the entity, there is an absence of segregation of duties appropriate for a strong system of internal control. The College has implemented compensating controls to the extent practical, and we are not recommending further action at this time. However, we believe the Trustees should be aware that the condition results in a greater risk of errors occurring and not being detected within a timely manner, than would be the case if duties were appropriately segregated.

Recommendation

No further action required at this time.

NURSING STUDENT LOAN (NSL) PROGRAM DELINQUENCY

The college is no longer making loans under the NSL program. However, the delinquency rate for the NSL program is still in excess of the 5% allowed by Health and Human Services Guidelines.

Recommendation

We recommend that the college continue its collection efforts.

Response

The NSL program has been inactive and in closing status for nearly 10 years. Of the 158 students and $96,677 worth of awards from this program, only 10 students remain delinquent in the amount of $6,222. These students have been turned over for collection but remittances have been slower than anticipated. We hope to be within the 5% rate in the very near future.

STUDENT FINANCIAL AID FILES

Federal Regulations require certain time limitations regarding the disbursement of grants and loan; there is no information located in the Student Financial Aid file to document that these requirements were met.

Recommendation

We recommend to improve the controls and documentation of compliance with the above-mentioned regulations, that a ledger be kept for each student receiving financial aid showing the amount charged for tuition, awards and loans received, and the amount paid to the student, including dates and amounts. The school may also want to keep a copy of the check for amounts paid to students along with the ledger in the Student Financial Aid file; at a minimum, the ledger should at least show the check number.

RECOMMENDATIONS (CONTINUED)

STUDENT FINANCIAL AID FILES (CONTINUED)

Response

All aid disbursements (by voucher, check or fee sheet) will be date stamped with the student's initials required on the form. This will indicate when the aid was disbursed and that the student actually received their aid.

POLITICAL ACTIVITY POLICY

The College's political activity policy is missing a statement ensuring "that federal funds are not used for partisan political purposes of any kind, by any person involved in the administration of federally-assisted programs".

Recommendation

We recommend that the political activity policy be amended to include the proper wording.

Response

We have revised our policy to conform to this recommendation.

PROCUREMENT POLICY

The College's procurement policy does not contain a statement that "purchases with federal monies will be made in accordance with the appropriate federal guidelines", which include OMB Circular A-21, OMB Circular A-122, OMB Circular A-133 and OMB Circular A-21.

Recommendation

We recommend that the procurement policy be amended to include the appropriate language.

Response

We have revised our policy to conform to this recommendation.

RECOMMENDATIONS (CONTINUED)

ALLOWANCE FOR DELINQUENT TAXES

The college records the full amount of taxes assessed on an annual basis. No allowance for uncollected accounts is used and old taxes receivable are not written off.

Recommendation

The school should analyze the taxes receivable at the end of the year and, set up an allowance for those deemed uncollectible, and write off old taxes receivable.

Response

We will analyze taxes receivable on a yearly basis and write off taxes receivable accordingly.

FTE COUNTS

A major funding criterion for the College is the number of full-time equivalent (FTE) students registered. FTEs are computed in accordance with guidelines published by the Commissioner of Higher Education. We reviewed the FTE counts reported by the College for fiscal years 1995 and 1996 for compliance with the published guidelines and accuracy. We found no exceptions for Miles Community College.

PRIOR YEARS' RECOMMENDATIONS

A summary of the recommendations from fiscal years June 30, 1993 and 1994 is as follows:

Finding	Status
Finding #1 - Inventory of Property, Plant & Equipment	Implemented
Finding #2 - NSL Program	Not Implemented - Finding #2
FInding #3 - Adjustment to the General Ledger	Implemented

CHMS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 1067
104 Second Avenue S.W.
Sidney, Montana 59270
406-482-2092
1-800-676-2467
FAX 406-482-2095

INDEPENDENT AUDITOR'S REPORT

Legislative Audit Committee
of the Montana State Legislature

We have audited the financial statements of Miles Community College, Miles City, Montana, as of and for the years ended June 30, 1995 and 1996, as listed in the accompanying table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States, and provisions of the Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Miles Community College, Miles City, Montana, as of June 30, 1995 and 1996, and the results of its operations and changes in its net assets and cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 19, 1996, on our consideration of the College's internal control structure and a report dated September 19, 1996, on its compliance with laws and regulations.

As discussed in note A to the financial statements, Miles Community College adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 116, Accounting for Contributions Received and Contributions Made," and No. 117, "Financial Statements of Not-For-Profit Organizations," for the years ended June 30, 1995 and 1996.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information on pages 21-24 is presented for purposes of additional analysis and is not a required part of the financial statements of Miles Community College, Miles City, Montana. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

CHMS, P.C.
Certified Public Accountants

September 19, 1996

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
BALANCE SHEET
JUNE 30, 1995

ASSETS		
Cash and Investments (Note C)	$	174,630
Receivables:		
Taxes Receivable		104,926
Grant Receivable		21,818
Student Loan Receivable		80,327
Accounts Receivable		19,102
Total Receivables		226,173
Prepaid Expenses		11,067
Inventories		24,747
Property, Plant and Equipment (Note D)		
Land		204,298
Buildings and Improvements		3,859,619
Equipment		2,554,735
Total Property, Plant, and Equipment		6,618,652
TOTAL ASSETS	$	7,055,269
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts Payable and Accrued Liabilities	$	85,926
Due to Student Organizations		8,992
Compensated Absences (Note F)		134,592
Mortgage Payable (Note E)		504,235
Total Liabilities		733,745
Net Assets:		
Unrestricted		6,171,422
Temporarily Restricted		150,102
Total Net Assets		6,321,524
TOTAL LIABILITIES AND NET ASSETS	$	7,055,269

The accompanying notes are an integral part of these financial statements.

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 1995

	Total Unrestricted Net Assets	Temporarily Restricted Net Assets	Total Net Assets
REVENUES:			
Tuition and Fees	$ 717,990	$ 40,909	$ 758,899
State Appropriations	1,029,363	---	1,029,363
Local Appropriations	668,288	---	668,288
Federal Grants	---	1,221,310	1,221,310
State Grants	2,999	132,285	135,284
Private Gifts and Grants	10,000	26,067	36,067
Restricted Student Fees	47,452	---	47,452
Sales of Auxiliary Enterprises	355,176	---	355,176
Other Income	307,814	63,414	371,228
Expended for Plant Facilities	128,597	---	128,597
Retirement of Indebtedness	5,600	---	5,600
Total Revenues	3,273,279	1,483,985	4,757,264
Net Assets Released From Restrictions	1,448,177	(1,448,177)	---
	4,721,456	35,808	4,757,264
EXPENSES:			
Education and General Expenses:			
Instruction	1,270,441	---	1,270,441
Public Service	42,992	---	42,992
Academic Support	644,423	---	644,423
Student Services	1,442,949	---	1,442,949
Institutional Support	415,311	---	415,311
Scholarships and Fellowships	248,669	---	248,669
Operation and Maintenance of Plant	209,513	---	209,513
Auxiliary Enterprise Expenditures	413,212	---	413,212
Retirement of Indebtedness	5,600	---	5,600
Interest on Indebtedness	4,865	---	4,865
Total Expenses	4,697,975	---	4,697,975
Increase in Net Assets	23,481	35,808	59,289
Beginning Net Assets	6,147,941	114,294	6,262,235
Ending Net Assets	$ 6,171,422	$ 150,102	$ 6,321,524
Nature of Specific Net Assets:			
Internally Designated	38,075	---	38,075
Externally Restricted	---	150,102	150,102
Debt Service Funds	18,930	---	18,930
Net Investment in Plant	6,114,417	---	6,114,417
Total Net Assets	$ 6,171,422	$ 150,102	$ 6,321,524

The accompanying notes are an integral part of these financial statements.

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1995

CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	$	59,288
Changes in assets and liabilities:		
Increase in Taxes Receivable		(4,213)
Decrease in Student Loan Receivable		53
Decrease in Grants Receivable		46,555
Decrease in Accounts Receivable		8,757
Decrease in Inventory		4,798
(Decrease) in Accounts Payable		(57,752)
(Decrease) in Due To Student Organizations		(4,592)
(Decrease) in Compensated Absences Payable		(16,874)
(Decrease) in Deferred Revenue		(34,093)
NET CASH PROVIDED BY OPERATING ACTIVITIES		1,927
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property, Plant, and Equipment		(128,597)
NET CASH (USED) BY INVESTING ACTIVITIES		(128,597)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of Long-Term Debt		(5,600)
NET CASH (USED) BY FINANCING ACTIVITIES		(5,600)
Net (Decrease) in Cash and Cash Equivalents		(132,270)
Cash and Cash Equivalents, Beginning of Year		306,900
Cash and Cash Equivalents, End of Year	$	174,630

The accompanying notes are an integral part of these financial statements.

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
BALANCE SHEET
JUNE 30, 1996

ASSETS		
Cash on Hand and in Bank (Note C)	$	190,179
Receivables:		
Taxes Receivable		150,776
Grant Receivable		37,699
Student Loan Receivable		81,311
Accounts Receivable		16,304
Total Receivables		286,090
Prepaid Expenses		11,067
Inventories		19,206
Property, Plant and Equipment (Note D):		
Land		204,298
Buildings and Improvements		3,859,619
Equipment		1,600,787
Total Property, Plant, and Equipment		5,664,704
TOTAL ASSETS	$	6,171,246
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts Payable and Accrued Liabilities		98,568
Due to Student Organizations		6,489
Compensated Absences (Note F)		158,180
Mortgage Payable (Note E)		481,105
Total Liabilities		744,342
Net Assets (Note C):		
Unrestricted		5,296,432
Temporarily Restricted		130,472
Total Net Assets		5,426,904
TOTAL LIABILITIES AND NET ASSETS	$	6,171,246

The accompanying notes are an integral part of these financial statements.

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 1996

	Total Unrestricted Net Assets	Temporarily Restricted Net Assets	Total Net Assets
REVENUES:			
Tuition and Fees	$ 717,324	$ 6,820	$ 724,144
State Appropriations	1,298,457	---	1,298,457
Institution Contributions	667,688	12,423	680,111
Federal Grants	---	951,938	951,938
State Grants	---	124,709	124,709
Private Gifts and Grants	---	55,221	55,221
Restricted Student Fees	46,610	---	46,610
Other Income	371,238	61,556	432,794
Sales and Services of Auxiliary Enterprises	344,161	---	344,161
Expended for Plant Facilities	146,913	---	146,913
Retirement of Indebtedness	23,130	---	23,130
Total Revenues	3,615,521	1,212,667	4,828,188
Net Assets Released From Restrictions	1,206,147	(1,206,147)	---
	4,821,668	6,520	4,828,188
EXPENSES:			
Education and General Expenses			
Instruction	1,394,207	---	1,394,207
Public Service	36,320	---	36,320
Academic Support	648,143	---	648,143
Student Services	1,243,233	---	1,243,233
Institutional Support	412,921	---	412,921
Scholarships and Fellowships	264,075	---	264,075
Operation and Maintenance of Plant	228,768	---	228,768
Auxiliary Enterprise Expenses	362,640	---	362,640
Retirement of Indebtedness	23,130	---	23,130
Write-down of Equipment (Note C)	1,100,861	---	1,100,861
Interest on Indebtedness	3,689	---	3,689
Total Expenses	5,717,987	---	5,717,987
Nonmandatory Transfers Between Funds	(8,895)	8,895	---
Net Increase (Decrease) in Net Assets	(905,214)	15,415	(889,798)
Beginning Net Assets	6,201,646	115,057	6,316,703
Ending Net Assets	$ 5,296,432	$ 130,472	$ 5,426,904
Nature of Specific Net Assets:			
Internally Designated	74,112	---	74,112
Externally Restricted	---	130,472	130,472
Debt Service Funds	38,721	---	38,721
Net Investment in Plant	5,183,599	---	5,183,599
Total Net Assets	$ 5,296,432	$ 130,472	$ 5,426,904

The accompanying notes are an integral part of these financial statements.

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1996

CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	$	(889,799)
Changes in assets and liabilities:		
Writedown of Equipment		1,100,861
(Increase) in Taxes Receivable		(45,850)
(Increase) in Student Loan Receivable		(984)
(Increase) in Grants Receivable		(15,881)
Decrease in Accounts Receivable		2,796
Decrease in Inventory		722
Increase in Accounts Payable		12,642
(Decrease) in Due To Student Organizations		(2,503)
Increase in Compensated Absences Payable		23,588
NET CASH PROVIDED BY OPERATING ACTIVITIES		185,592
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property, Plant, and Equipment		(146,913)
NET CASH (USED) BY INVESTING ACTIVITIES		(146,913)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of Long-Term Debt		(23,130)
NET CASH (USED) BY FINANCING ACTIVITIES		(23,130)
Net Increase in Cash and Cash Equivalents		15,549
Cash and Cash Equivalents, Beginning of Year		174,630
Cash and Cash Equivalents, End of Year	$	190,179

The accompanying notes are an integral part of these financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Miles Community College, a Community College District (the College), is presented to assist in understanding the College's financial statements. The financial statements and notes are representations of the College's management, which is responsible for their integrity and objectivity.

Reporting Entity

Miles Community College is a community college district which has received full accreditation by the Northwest Association of Schools and Colleges.

The College, for financial purposes, includes all funds, account groups, organizations and boards for which the College is financially accountable. Financial accountability is defined as the appointment of a majority of the governing body, and by the imposition of will or the potential for financial benefit or burden.

Basis of Accounting

The financial statements of the College are prepared on the accrual basis of accounting and conform to generally accepted accounting principles.

In 1996, the College adopted Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Made" (SFAS No. 116).

Federal and State contributions which are restricted for the certain types of operations of the College are reflected as unrestricted revenue. These funds are received and spent during the same year, in accordance with SFAS No. 116.

In 1996, the College also adopted Statement of Financial Accounting Standards No. 117, "Financial Statements for Not-For-Profit Organizations."

Under these provisions, net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor - imposed restrictions. Accordingly, the net assets of the College and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets not subject to donor-imposed conditions.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed conditions that are to be met by the College's actions and/or by the passage of time. The beginning net assets includes the restricted current fund and student loan ending fund balances, as reported in prior financial statements.

Permanently Restricted Net Assets - Net assets subject to donor-imposed conditions requiring the net assets to be maintained permanently by the College. In general, the donors of these types of assets permit the College to use all or part of the income earned on the related investments for general or specific purposes. The College had no permanently restricted net assets as of June 30, 1995 and 1996.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Auxiliary Funds

Auxiliary Funds are unrestricted funds used to account for operations (a) which are financed and separated in a manner similar to a private business enterprise where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The funds included in this classification are the Bookstore, the Cafeteria, the Centra, and the Big Sky Dorm.

Student Loan Funds

The resources from this group of funds are available to students to aid in financing their education. Funds for the loans are provided by private and college sources with the majority of the funds being provided by the federal government.

Plant Funds

These funds are separated into three self-balancing subgroups:
Renewal and Replacement - utilized for maintenance of institutional assets.

Retirement of indebtedness - utilized for debt servicing and retirement of indebtedness.

Investment in Plant - denotes the cost on long-term institutional assets and related liabilities and equity.

Inventories

Inventories consist mainly of bookstore supplies and are valued at cost on the first-in, first-out method.

Cash and Cash Equivalents

The College considers all investments to be highly liquid, and, therefore, cash equivalents.

Investments

Substantially all cash of the College is administered through the Custer County Treasurer's office. The college entered into an agreement with Custer County to have cash on deposit invested by the County Treasurer. Under the agreement, the cash and investment pool may include cash and cash items; demand, time, savings and fiscal agent deposits; investments in the State Short-Term Investment Pool; obligations of the United States Government and securities issued by agencies of the United States Government; repurchase agreements, and registered warrants.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The College's agreement with the County requires the County to make the distributions of interest income to Miles Community College monthly, based on the end of the month cash balances of the college. The College is required to pay an administrative fee to the County in the amount of three percent of the interest income received.

Plant and Equipment:

Public domain general fixed assets ("infrastructure") consisting of roads, parking lots, curbs, and gutters, sidewalks, drainage sustems, and lighting systems are not cpitalized, as these assets are immovable and of value only to the government.

All purchased fixed assets are valued at cost where historical records are available and at estimated historical costs where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Assets in the plant fund are not depreciated.

Income Tax Status

The College is recognized as an organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code") whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to Federal income tax.

Donated Services

The value of donated services are not recognized, since the types of services rendered do not create or enhance the Nonprofit's non-financial assets, nor do they require specialized skills.

NOTE B - LOCAL APPROPRIATIONS

All property taxes are collected by theTreasurer of Custer County, Montana. Property tax revenue is recognized when it is received. Property taxes attach as an enforceable lien on property as of January 1st and are levied on the 2nd Monday in August. They are due in two equal installments on November 30th, and May 31st, following the levy date.

The tax levies for the College for the year ended June 30,1995 were as follows:

	Number of Mills		Value of One Mill		Value
Mandatory County Levy	41.27	$	15,812	$	652,561
Adult Education Levy	1.00		15,812		15,812
Total	42.27			$	668,373

The breakdown of tax levies for the year ended June 30, 1996 were as follows:

	Number of Mills	Value of One Mill		Value
Mandatory County Levy	40.12	16,270	$	652,752
Adult Education Levy	1.00	16,270		16,270
Total	41.12		$	669,022

NOTE C - CASH AND INVESTMENTS

Cash and Investments are held by the Custer County Treasurer. The Board of Trustees may invest money of the College in Obligations of the United States Government, saving or time deposits in a state or national bank, building or loan association, saving and loan association, credit unions insured by the FDIC, FSLIC, or NCUA located in the state, a repurchase agreement, or under the state unified investment program.

Cash and Investments held by the Treasurer of Custer County at June 30, 1995 and 1996, and the College's net assets for the years then ended are:

	1995	1996
Temporarily Restricted	$ 46,727	$ 27,366
Unrestricted	127,903	162,813
	$ 174,630	$ 190,179

The Custer County Commissioners require 50% security on money held by the Custer County Treasurer. The County government and the College are considered to have $100,000 FDIC insurance per bank, as the investments are made by County Treasurer. The cash is held by the County Treasurer in the County's name.

NOTE D - PROPERTY, PLANT, AND EQUIPMENT

A summary of the changes in Property, Plant, and Equipment as of June 30, 1995 is as follows:

	Balance 6/30/94	Current Additions	Other Adjustments	Balance 6/30/95
Land	$ 204,298	$ ---	$ ---	$ 204,298
Buildings	3,859,619	---	---	3,859,619
Equipment	2,077,716	128,597	---	2,206,313
Library Inventory	348,422	---	---	348,422
	$ 6,490,055	$ 128,597	$ ---	$ 6,618,652

A summary of the changes in Property, Plant, and Equipment as of June 30, 1996 is as follows:

	Balance 6/30/95	Current Additions	Other Adjustments	Balance 6/30/96
Land	$ 204,298	$ ---	$ ---	$ 204,298
Buildings	3,859,619	---	---	3,859,619
Equipment	2,206,313	146,913	(1,100,861)	1,252,365
Library Inventory	348,422	---	---	348,422
	$ 6,618,652	$ 146,913	$ (1,100,861)	$ 5,664,704

In the continuing effort to update their fixed asset records, the College conducted a physical inventory count as of June 30, 1996. This physical inventory was then compared to the computerized physical asset listing. The College made an adjustment of $1,100,861 to the Investment in Plant Fund as a result of this inventory process. The College had not previously engaged in a write-down of their physical inventory.

NOTE E - MORTGAGES PAYABLE

Mortgages payable consists of a mortgage payable to Miles Community College Endowment and a mortgage payable to the Department of Housing and Urban Development. Changes in mortgages payable during 1995 were as follows:

	Balance 6-30-94	Principal Payment	Balance 6-30-95
Miles Community College Endowment	$ 379,835	$ ---	$ 379,835
Department of Housing and Urban Development	130,000	5,600	124,400
	$ 509,835	$ 5,600	$ 504,235

Changes in mortgages payable during 1996 were as follows:

	Balance 6-30-95	Principal Payment	Balance 6-30-96
Miles Community College Endowment	$ 379,835	$ 17,330	$ 362,505
Department of Housing and Urban Development	124,400	5,800	118,600
	$ 504,235	$ 23,130	$ 481,105

The mortgage payable to the Department of Housing and Urban Development was in the original amount of $205,541 and will be paid off on July 1, 2012. This mortgage is payable in semiannual installments on January 1st and July 1st of each year. Interest is payable at 3% per annum. There is no security for this loan.

The mortgage payable to Miles Community College Endowment was in the original amount of $458,299. There is no interest payable on this note. This note is being repaid from 1/3 of the student building fees collected, until such time as the deficit in the Building Repayment Fund has been eliminated. Once the deficit has been eliminated, the entire amount of the student building fees will be paid to Miles Community College Endowment. The student building fees were assessed at $2.50 per credit hour up to a maximum of 14 credit hours in fiscal year 1995, and $3.00 per credit hour to a maximum of 14 credit hours in fiscal year 1996.

The payment on the Miles Community College Endowment note for the year ending June 30, 1995, was waived to allow the student building fees to be applied to the operational costs of the college. The Board of Trustees of Miles Community College and the Directors of Miles Community College Endowment has approved the waiver. Payments on the note beginning in 1996 are estimated by College management at $30,000 per year through the year 2008.

Mortgages payable maturities are as follows:

Year	Principal
1997	$ 52,321
1998	35,800
1999	36,000
2000	36,200
2001	36,400
2002-2012	307,514
Total	$ 504,235

NOTE F - COMPENSATED ABSENCES PAYABLE

Compensated absences payable, which represent vacation and sick leave earned by employees which is payable upon termination, were as follows:

June 30, 1995:

	Balance 6-30-94	(Decrease)	Balance 6-30-95
Vacation and Sick Leave	$ 151,466	$ (16,874)	$ 134,592

June 30, 1996:

	Balance 6-30-95	Increase	Balance 6-30-96
Vacation and Sick Leave	$ 134,592	$ 23,588	$ 158,180

NOTE G - RETIREMENT PLANS

The College participated in two, multiple employer, cost-sharing retirement plans which cover all employees, except part-time, non-teaching employees. The Teachers' Retirement System (TRS) covers certified teaching employees, including the president and deans of the college, and the Public Employee Retirement System (PERS) covers non-teaching employees. Substitute teachers may elect to become an active member of TRS on the first day of employment in each fiscal year. If a substitute does not elect to become a member, membership becomes mandatory on the the 31st day of employment, at which time retroactive contributions will not be required. The plans are established by State law and are administered by the Department of Administration of the State of Montana.

Contribution rates, expressed as a percentage of covered payroll, which are required and determined by State law, were as follows as of June 30, 1995 and 1996:

	Employer	Employee	Total
TRS	7.47%	7.044%	14.514%
PERS	6.70%	6.70%	13.40%

Covered salaries and wages and amounts contributed to TRS and PERS during the year ended June 30, 1995, were as follows:

	Salaries and Wages	Contributions Employer	Contributions Employee	Total
TRS	$ 1,191,871	$ 89,033	$ 89,033	$ 178,066
PERS	503,181	33,713	33,713	67,426
Not-Covered	205,318	---	---	---
Total	$ 1,900,370	$ 122,746	$ 122,746	$ 245,492

NOTE G - RETIREMENT PLANS (CONTINUED)

Covered salaries and wages and amounts contributed to TRS and PERS during the year ended June 30, 1996, were as follows:

	Salaries and Wages	Contributions Employer	Contributions Employee	Total
TRS	$ 1,270,333	$ 94,894	$ 94,894	$ 189,788
PERS	544,668	36,493	36,493	72,986
Not-Covered	119,922	---	---	---
Total	$ 1,934,923	$ 131,387	$ 131,387	$ 262,774

Total State-wide covered salaries for TRS for the year ended June 30, 1995, were $466,310,140. Total State-wide salaries for PERS for the year ended June 30, 1995 were $602,215,396.

Benefits are established by State law. Employee benefits vest after 5 years for both plans. A summary of retirement and eligibility benefits follows. Other information concerning TRS and PERS can be obtained from the Montana Department of Administration located in Helena, Montana.

	TRS	PERS
Normal Retirement	Age 60 or 25 service years	Age 65; Age 60 with 5 service years, or 30 service years
Benefits, based on final average salary	1/60 times service years	1/56 times service years
Early Retirement with reduced benefits	Vested and age 50	Vested and age 50 or 25 service years

The last actuarial valuation for TRS and PERS were performed on July 1, 1994. Actuarial assumptions were changed at that time.

The Pension Benefit Obligation, which is the actuarial present value of credited projected benefits for the plans was as follows:

	TRS July 1, 1995	PERS June 30, 1995
Pension Benefit Obligation	$ 1,681,293,554	$ 1,591,420,109
Net Assets Available for Benefits:		
At Cost . . .	$ 1,067,057,530	$ 1,276,855,695
At Market Value . . .	$ 1,309,100,444	$ 1,438,181,906

The Pension Benefit Obligation is a standardized measure of the present value of projected pension benefits for employee service to date. It is intended to help assess a pension plan's funding status and its progress in accumulating assets needed to pay benefits, as well as compare the plan to other pension plans. Historical trend information showing the progress in accumulating assets needed to pay benefits is presented in the TRS and PERS comprehensive annual financial reports which are available from the Montana Department of Administration.

NOTE H - CONTINGENT LIABILITY

Miles Community College entered into a lease agreement with Mid-Rivers Telephone Cooperative, Inc., during 1993 for the use of fiber optic cable, providing interactive video between Miles City and Glendive. Termination of the agreement by the college before the end of the nine year lease period will give rise to termination charges. The college intends to terminate the agreement in fiscal year 1997. Due to the ongoing negotiations between the College and Mid-Rivers Telephone Cooperative, Inc., no estimate of the termination charges was available for review as of the date of our audit report.

The Montana Supreme Court ruled in Rippey that community college faculty are state employees for purposes of entitlement to payment for accumulated sick leave. Pursuant to this decision, Miles Community College made a payoff of sick leave accumulated since 1971 to President Flower upon his retirement in 1995. The amount of this payoff above the accrued amount is $9,602. Other employees at the college may also be eligible for this sick leave payoff in excess of their sick leave accrual. This payment is estimated by College management to be $36,486. This amount has not been accrued on the balance sheet.

NOTE I - RELATED PARTY TRANSACTIONS

The Board of Trustees of Miles Community College signed a note payable to Miles Community College Endowment corporation, as described in Note E. Miles Community College Endowment Corporation is a separate corporation formed to promote Miles Community College.

A building owned by the college is subject to a lien. The party that donated the building is making the payment that will end in 2005.

SUPPLEMENTARY INFORMATION

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 1995

STUDENT FINANCIAL AID MODIFIED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

	PELL	PERKINS	CWS	SEOG
Beginning Cash Balance	$ ---	$ 4,016	$ 661	$ ---
Additions:				
Federal Advances	581,990	---	14,414	27,576
Institution Matching Funds	---	---	---	127
State Matching Funds	---	---	6,461	6,797
Interest Collected	---	1,788	---	---
Interest Investments	---	42	---	---
Principal Collected	---	12,940	---	---
Total Additions	581,990	14,770	20,875	34,500
Deductions:				
Distribution to Students	581,990	9,500	21,536	34,500
Administrative Expenses	---	3,276	---	---
Total Deductions	581,990	12,776	21,536	34,500
Net Change in Cash	---	1,994	(661)	---
Ending Cash Balance	$ ---	$ 6,010	$ ---	$ ---

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 1996

STUDENT FINANCIAL AID MODIFIED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

	PELL	PERKINS	CWS	SEOG
Beginning Cash Balance	$ ---	$ 6,010	$ ---	$ ---
Additions:				
Federal Advances	560,897	---	18,351	32,637
State Matching Funds	---	---	7,498	10,189
Interest Collected	---	1,478	---	---
Interest Investments	---	63	---	---
Principal Collected	---	7,529	---	---
Transfers Between Programs	---	---	---	872
Total Additions	560,897	9,070	25,849	43,698
Deductions:				
Distribution to Students	560,624	9,000	24,959	43,698
Administrative Expenses	---	3,899	---	---
Transfers Between Programs	---	---	872	---
Total Deductions	560,624	12,899	25,831	43,698
Net Change in Cash	273	(3,829)	18	---
Ending Cash Balance	$ 273	$ 2,181	$ 18	$ ---

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 1995 AND 1996

SCHEDULE OF EXPENDITURES
STUDENT FINANCIAL ASSISTANCE PROGRAMS

	1995	1996
Perkins Loan Program		
Student Loan Advances	$ 9,500	$ 9,000
Administrative Cost	3,276	3,899
	$ 12,776	$ 12,899
College Work-Study Program		
Wages	$ 21,536	$ 24,959
Transfer Between Programs	---	872
	$ 21,536	$ 25,831
Supplemental Education Opportunity Grant Program		
Student Grants	$ 34,500	$ 43,698
Pell Grant Program		
Student Grants	$ 581,990	$ 560,624

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 1995 AND 1996

SCHEDULE OF ENROLLMENT STATISTICS

SEMESTER	FULL-TIME EQUIVALENT
Summer Semester 1994	35.90
Fall Semester 1994	531.30
Spring Semester 1995	492.10
Summer Semester 1995	36.40
Fall Semester 1995	523.66
Spring Semester 1996	514.70

CHMS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 1067
104 Second Avenue S.W.
Sidney, Montana 59270
406-482-2092
1-800-676-2467
FAX 406-482-2095

INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF FEDERAL AWARDS

Legislative Audit Committee
of the Montana State Legislature

We have audited the financial statements of Miles Community College, Miles City, Montana, as of and for the years ended June 30, 1995 and 1996, and have issued our report thereon dated September 19, 1996. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of Miles Community College, Miles City, Montana, taken as a whole. The accompanying Schedule of Federal Awards is presented for purposes of additional analysis and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

CHMS, P.C.
Certified Public Accountants

September 19, 1996

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1995

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program Award	Beginning Balance 07/01/94	Federal Sources	State Match	Local Match	Expended	Ending Balance 06/30/95
MAJOR PROGRAMS:									
U.S. Department of Education									
Direct Programs:									
Supplemental Educational Opportunity Grant Program	84.007	P007A42421	$ 27,576	$ ---	$ 27,576	$ 6,797	$ 127	$ 34,500	$ ---
College Work Study	84.033	P033A42421	14,414	---	14,414	11,106	11,911	37,431	---
Pell Grant Program	84.063	P063P43851	581,990	---	581,990	---	---	581,990	---
			623,980	---	623,980	17,903	12,038	653,921	---
Passed-Through Office of the Commsioner of Higher Education:									
Self Esteem	84.048	95SP009	28,875	---	24,022	---	---	24,022	---
Career Development Program	84.048	95SL004	29,077	---	15,258	---	---	15,258	---
Carl D. Perkins Vocational Act	84.048	MCLA:94-95	109,445	---	108,076	---	---	108,076	---
			167,397	---	147,356	---	---	147,356	---
Total Major Programs			791,377	---	771,336	17,903	12,038	801,277	---
NON-MAJOR PROGRAMS:									
U.S. Department of Commerce									
Direct Programs:									
Local Technical Assistance Grant	11.301	05-06-02789	5,000	---	5,000	---	---	---	5,000
U.S. Department of Education									
Pass-Through Montana Guaranteed Student Loan Program:									
State Student Incentive Grant Program	84.069	SSIGA95	4,475	---	4,475	5,025	---	9,500	---
Passed-Through Montana Office of Public Instruction:									
Adult Basic Education	84.002	95-56-5803-020	8,316	---	8,316	---	---	8,316	---
Teacher Education Curriculum	84.002	95-56-5803-625T	5,000	---	5,000	---	---	5,000	---
			13,316	---	13,316	---	---	13,316	---
U.S. Department of Labor									
Pass-Through Department of Labor and Industry:									
BOS IIA Displaced Homemaker	17.246	94063(D)	45,850	---	44,523	---	---	44,523	---
Title IIA Adult 5% Incentive	17.250	94063(I)	14,934	---	14,832	---	---	14,832	---
Job Training Partnership Act 8%	17.250	94-53-5803-137	30,538	---	30,538	14,125	---	44,663	---
			45,472	---	45,370	14,125	---	59,495	---
U.S. Department of Health & Human Services									
Passed-Through Department of Social and Rehabilitation Services:									
Jobs	93.561	95-012-28009-0	91,000	---	88,488	---	---	88,488	---
Corporation for National and Community Service									
Direct Programs:									
Retired Senior Volunteer Program	72.002	3408618/13	19,286	---	19,286	---	29,292	48,578	---
TOTAL FEDERAL AWARDS			$ 1,015,776	$ ---	$ 991,794	$ 37,053	$ 41,330	$ 1,065,177	$ 5,000

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1996

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program Award	Beginning Balance 07/01/95	Federal Sources	State Match	Local Match	Expended	Ending Balance 06/30/96
MAJOR PROGRAMS:									
U.S. Department of Education									
Direct Programs:									
Supplemental Educational Opportunity Grant Program	84.007	P007A42421	$ 32,637	$ ---	$ 32,637	$ 10,189	$ ---	$ 42,826	$ ---
College Work Study	84.033	P033A42421	18,351	---	18,351	12,560	12,897	43,808	---
Pell Grant Program	84.063	P063P43851	560,897	---	560,897	---	---	560,897	---
			611,885	---	611,885	22,749	12,897	647,531	---
Passed-Through Office of the Commsioner of Higher Education:									
Self Esteem	84.048	96SP006	30,240	---	21,655	---	---	21,655	---
Computer Literacy	84.048	96GE004	9,020	---	7,329	---	---	7,329	---
Carl D. Perkins Vocational Act	84.048	MCLA:95-96	103,819	---	103,819	---	---	103,819	---
			143,079	---	132,803	---	---	132,803	---
U.S. Department of Health & Human Services									
Passed-Through Department of Social and Rehabilitation Services:									
Jobs	93.561	96-012-28011-0	128,710	---	123,865	---	2,200	126,065	---
Total Major Programs			883,674	---	868,553	22,749	15,097	906,399	---
NON-MAJOR PROGRAMS:									
U.S. Department of Commerce									
Direct Programs:									
Local Technical Assistance Grant	11.301	05-06-02789	20,000	5,000	3,390	---	2,948	11,338	---
U.S. Department of Education									
Pass-Through Montana Guaranteed Student Loan Program:									
State Student Incentive Grant Program	84.069	SSIGA96	3,132	---	3,132	4,570	---	7,702	---
Passed-Through Montana Office of Public Instruction:									
Adult Basic Education	84.002	96-56-5803-237	4,456	---	4,456	---	---	4,456	---
U.S. Department of Labor									
Pass-Through Department of Labor and Industry:									
BOS IIA Displaced Homemaker	17.246	95084(D)	45,850	---	45,033	---	---	45,033	---
Nontraditional Training for Women Act	17.700	5192W	24,500	---	21,300	---	---	18,334	2,966
Title IIA Adult 5% Incentive	17.250	95063(I)	11,184	---	10,856	---	---	10,856	---
Job Training Partnership Act 8%	17.250	96-56-5803-120	30,247	---	30,247	11,417	---	41,664	---
			41,431	---	41,103	11,417	---	52,520	---
National Endowment for the Arts									
Pass-Through Montana Arts Council: Promotion of the Arts	45.007	05-3759-6	1,000	---	1,000	---	---	---	1,000
Corporation for National and Community Service									
Direct Programs:									
Retired Senior Volunteer Program	72.002	340P063/14	25,316	---	25,316		27,246	52,562	---
TOTAL FEDERAL AWARDS			$ 1,049,359	$ 5,000	$ 1,013,283	$ 38,736	$ 45,291	$ 1,098,344	$ 3,966

CHMS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 1067
104 Second Avenue S.W.
Sidney, Montana 59270
406-482-2092
1-800-676-2467
FAX 406-482-2095

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Legislative Audit Committee
of the Montana State Legislature

We have audited the financial statements of Miles Community College as of and for the years ended June 30, 1995 and 1996, and have issued our report thereon dated September 19, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of Miles Community College is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operations of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of Miles Community College for the years ended June 30, 1995 and 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure we obtained understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The reportable conditions noted are described in the accompanying Schedule of Findings on page 37-40 of this report.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described in the accompanying Schedule of Findings are material weaknesses.

This report is intended for the information of the Miles Community College, Miles City, Montana, the State of Montana Legislative Auditor's Office and other applicable Federal agencies. However, this report is a matter of public record and its distribution is not limited.

CHMS, P.C.

CHMS, P.C.
Certified Public Accountants

September 19, 1996

CHMS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 1067
104 Second Avenue S.W.
Sidney, Montana 59270
406-482-2092
1-800-676-2467
FAX 406-482-2095

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING FEDERAL AWARDS

Legislative Audit Committee
of the Montana State Legislature

We have audited the financial statements of Miles Community College as of and for the years ended June 30, 1995 and 1996, and have issued our report thereon dated September 19, 1996. We have also audited the compliance of Miles Community College with requirements applicable to major federal award programs, and have issued our report thereon dated September 19, 1996.

We conducted our audit in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and provisions of the Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the College complied with laws and regulations, noncompliance with which would be material to a major federal award program.

In planning and performing our audit for the years ended June 30, 1995 and 1996, we considered the internal control structure of Miles Community College in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements of Miles Community College and on its compliance with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-133. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal award programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated September 19, 1996.

The management of Miles Community College is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal award programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operations of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

Internal Control Structure
- Cash/Investments
- Revenue/Cash Receipts/Receivables
- Fixed Assets
- External Financial Reporting
- General Ledger
- Expenditures/Cash Disbursements
- Purchasing and Receiving
- Payroll
- Compliance with Laws and Regulations

Federal Compliance Controls

General Requirements:
- Political Activity
- Civil Rights
- Cash Management
- Federal Financial Reports
- Allowable Costs/Cost Principles
- Drug Free Workplace
- Administrative Requirements

Specific Requirements:
- Types of Services Allowed or Unallowed
- Eligibility
- Matching, Level of Effort, and/or Earmarking
- Reporting
- Special Requirements

For all of the control categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

During the year ended June 30, 1995, Miles Community College expended 78% of its total federal awards under major federal awards. During the year ended June 30, 1996, Miles Community College expended 86% of its total federal awards under major federal awards.

We performed tests of controls, as required by OMB Circular A-133, to evaluate the effectiveness of the design and operation of the internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to the each of Miles Community College's major federal award programs, which are identified in the accompanying Schedule of Federal Awards. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to administer federal award programs in accordance with applicable laws and regulations.

The reportable conditions noted are described in the accompanying Schedule of Findings on pages 37-40 of this report.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal award program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure policies and procedures used in administering federal awards would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described in the accompanying Schedule of Findings are material weaknesses.

This report is intended for the information of the Miles Community College, Miles City, Montana, the State of Montana Legislative Auditor's Office and other applicable Federal agencies. However, this report is a matter of public record and its distribution is not limited.

CHMS, P.C.

CHMS, P.C.
Certified Public Accountants

September 19, 1996

CHMS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 1067
104 Second Avenue S.W.
Sidney, Montana 59270
406-482-2092
1-800-676-2467
FAX 406-482-2095

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Legislative Audit Committee
of the Montana State Legislature

We have audited the financial statements of Miles Community College as of and for the years ended June 30, 1995 and 1996, and have issued our report thereon dated September 19, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the College is the responsibility of the College's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the College's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The reportable conditions noted are described in the accompanying Schedule of Findings on pages 37-40 of this report.

This report is intended for the information of the Miles Community College, Miles City, Montana, the State of Montana Legislative Auditor's Office and other applicable Federal agencies. However, this report is a matter of public record and its distribution is not limited.

CHMS, P.C.
Certified Public Accountants

September 19, 1996

CHMS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 1067
104 Second Avenue S.W.
Sidney, Montana 59270
406-482-2092
1-800-676-2467
FAX 406-482-2095

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL AWARDS PROGRAMS

Legislative Audit Committee
of the Montana State Legislature

We have audited the financial statements of Miles Community College as of and for the years ended June 30, 1995 and 1996, and have issued our report thereon dated September 19, 1996.

We have applied procedures to test Miles Community College's compliance with the following requirements applicable to its federal award programs, which are identified in the Schedule of Federal Awards, for the years ended June 30, 1995 and 1996: Political Activity, Civil Rights, Cash Management, Federal Financial Reports, Allowable Costs/Cost Principles, Drug-free Workplace Act and Administrative requirements.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's *Compliance Supplement for Audits of Institutions of Higher Education and Other Nonprofit Institutions*." Our procedures were substantially less in scope than an audit, the objective which is the expression of an opinion on Miles Community College's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that Miles Community College had not complied, in all material respects, with those requirements.

This report is intended for the information of the Miles Community College, Miles City, Montana, the State of Montana Legislative Auditor's Office and other applicable Federal agencies. However, this report is a matter of public record and its distribution is not limited.

CHMS, P.C.
Certified Public Accountants

September 19, 1996

CHMS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 1067
104 Second Avenue S.W.
Sidney, Montana 59270
406-482-2092
1-800-676-2467
FAX 406-482-2095

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR FEDERAL AWARDS PROGRAMS

Legislative Audit Committee
of the Montana State Legislature

We have audited the financial statements of Miles Community College as of and for the years ended June 30, 1995 and 1996, and have issued our report thereon dated September 19, 1996.

We have also audited Miles Community College's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort; or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal award programs, which are identified in the accompanying Schedule of Federal Awards, for the years ended June 30, 1995 and 1996. The management of Miles Community College is responsible for the College's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." Those standards and OMB Circular A-133 A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the specific requirements referred to in the second paragraph occurred. An audit includes examining, on a test basis, evidence about Miles Community College's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, Miles Community College complied, in all material respects, with the specified requirements referred to in the second paragraph that are applicable to each of its major federal award programs for the years ended June 30, 1995 and 1996.

This report is intended for the information of the Miles Community College, Miles City, Montana, the State of Montana Legislative Auditor's Office and other applicable Federal agencies. However, this report is a matter of public record and its distribution is not limited.

CHMS, P.C.
Certified Public Accountants

September 19, 1996

CHMS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 1067
104 Second Avenue S.W.
Sidney, Montana 59270
406-482-2092
1-800-676-2467
FAX 406-482-2095

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL AWARDS PROGRAM TRANSACTIONS

Legislative Audit Committee
of the Montana State Legislature

We have audited the financial statements of Miles Community College as of and for the years ended June 30, 1995 and 1996, and have issued our report thereon dated September 19, 1996.

In connection with our audit of the financial statements of Miles Community College, and with our consideration of the College's control structure used to administer federal award programs, as required by Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Organizations", we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the years ended June 30, 1995 and 1996.

As required by OMB Circular A-133, we performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed, eligibility, matching, level of effort and/or earmarking, special reporting, and special tests and provisions that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Miles Community College's compliance with those requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Miles Community College had not complied, in all material respects, with those requirements.

This report is intended for the information of the Miles Community College, Miles City, Montana, the State of Montana Legislative Auditor's Office and other applicable Federal agencies. However, this report is a matter of public record and its distribution is not limited.

CHMS, P.C.
Certified Public Accountants

September 19, 1996

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
SCHEDULE OF FINDINGS
YEARS ENDED JUNE 30, 1995 AND 1996

FINDING #1 - SEGREGATION OF DUTIES (1)(2)

Due to the small size of the entity, there is an absence of segregation of duties appropriate for a strong system of internal control. The College has implemented compensating controls to the extent practical, and we are not recommending further action at this time. However, we believe the Trustees should be aware that the condition results in a greater risk of errors occurring and not being detected within a timely manner, than would be the case if duties were appropriately segregated.

Recommendation

No further action required at this time.

FINDING #2 - NURSING STUDENT LOAN (NSL) PROGRAM DELINQUENCY (3)

The college is no longer making loans under the NSL program. However, the delinquency rate for the NSL program is still in excess of the 5% allowed by Health and Human Services Guidelines.

Recommendation

We recommend that the college continue its collection efforts.

Response

The NSL program has been inactive and in closing status for nearly 10 years. Of the 158 students and $96,677 worth of awards from this program, only 10 students remain delinquent in the amount of $6,222. These students have been turned over for collection but remittances have been slower than anticipated. We hope to be within the 5% rate in the very near future.

---

(1) INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

(2) INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING FEDERAL AWARDS

(3) INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

(4) INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL AWARD PROGRAMS

(5) INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE SPECIFIC REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL AWARD PROGRAM TRANSACTIONS

(6) INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR FEDERAL AWARD PROGRAMS

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
SCHEDULE OF FINDINGS
YEARS ENDED JUNE 30, 1995 AND 1996

FINDING #3 - STUDENT FINANCIAL AID FILES (1)(2)

Federal Regulations require certain time limitations regarding the disbursement of grants and loan; there is no information located in the Student Financial Aid file to document that these requirements were met.

Recommendation

We recommend to improve the controls and documentation of compliance with the above-mentioned regulations, that a ledger be kept for each student receiving financial aid showing the amount charged for tuition, awards and loans received, and the amount paid to the student, including dates and amounts. The school may also want to keep a copy of the check for amounts paid to students along with the ledger in the Student Financial Aid file; at a minimum, the ledger should at least show the check number.

Response

All aid disbursements (by voucher, check or fee sheet) will be date stamped with the student's initials required on the form. This will indicate when the aid was disbursed and that the student actually received their aid.

---

(1) INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

(2) INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING FEDERAL AWARDS

(3) INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

(4) INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL AWARD PROGRAMS

(5) INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE SPECIFIC REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL AWARD PROGRAM TRANSACTIONS

(6) INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR FEDERAL AWARD PROGRAMS

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
SCHEDULE OF FINDINGS
YEARS ENDED JUNE 30, 1995 AND 1996

FINDING #4 - POLITICAL ACTIVITY POLICY (1)(2)

The College's political activity policy is missing a statement ensuring "that federal funds are not used for partisan political purposes of any kind, by any person involved in the administration of federally-assisted programs."

Recommendation

We recommend that the political activity policy be amended to included the proper wording.

Response

We have revised our policy to conform to this recommendation.

FINDING #5 - PROCUREMENT POLICY (1)(2)

The College's procurement policy does not contain a statement that "purchases with federal monies will be made in accordance with the appropriate federal guidelines", which include OMB Circular A-21, OMB Circular A-122, OMB Circular A-133, and OMB Circular A-21.

Recommendation

We recommend that the procurement policy be amended to included the appropriate language.

Response

We have revised our policy to conform to this recommendation.

---

(1) INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

(2) INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING FEDERAL AWARDS

(3) INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

(4) INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL AWARD PROGRAMS

(5) INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE SPECIFIC REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL AWARD PROGRAM TRANSACTIONS

(6) INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR FEDERAL AWARD PROGRAMS

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
SCHEDULE OF FINDINGS
YEARS ENDED JUNE 30, 1995 AND 1996

FINDING #6 - ALLOWANCE FOR DELINQUENT TAXES (1)(2)

The College records the full amount of taxes assessed on an annual basis. No allowance for uncollected accounts is used and old taxes receivable are not written off.

Recommendation

The College should analyze the taxes receivable at the end of the year and, set up an allowance for those deemed uncollectible, and write off old taxes receivable.

Response

We will analyze taxes receivable on a yearly basis and write off taxes receivable accordingly.

PRIOR YEARS COMMENTS

A summary of prior year's comments is as follows:

Finding	Status
Finding #1 - Inventory of Property, Plant & Equipment	Implemented
Finding #2 - NSL Program	Not Implemented - Finding #2
FInding #3 - Adjustment to the General Ledger	Implemented

(1) INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

(2) INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING FEDERAL AWARDS

(3) INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

(4) INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL AWARD PROGRAMS

(5) INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE SPECIFIC REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL AWARD PROGRAM TRANSACTIONS

(6) INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR FEDERAL AWARD PROGRAMS

"PATHWAY TO SUCCESS"

MILES COMMUNITY COLLEGE

2715 DICKINSON ST. MILES CITY, MT 59301 (406) 232-3031 FAX (406) 233-3598
PRESIDENT 233-3512 REGISTRAR 233-3522 BUSINESS MANAGER 233-3515

FINDING #1 - SEGREGATION OF DUTIES

RESPONSE: No response required.

FINDING #2 - NSL PROGRAM DELINQUENCY

RESPONSE: The NSL program has been inactive and in closing status for nearly 10 years. Of the 158 students and $96,677 worth of awards from this program, only 10 students remain delinquent in the amount of $6,222. These students have been turned over for collection but remittances have been slower than anticipated. We hope to be within the 5% rate in the very near future.

FINDING #3 - STUDENT FINANCIAL AID FILES

RESPONSE: All aid disbursements (by voucher, check or fee sheet) will be date stamped with the student's initials required on the form. This will indicate when the aid was disbursed and that the student actually received their aid.

FINDING #4 - POLITICAL ACTIVITY POLICY

RESPONSE: We have revised our policy to conform to this recommendation.

FINDING #5 - PROCUREMENT POLICY

RESPONSE: We have revised our policy to conform to this recommendation.

FINDING #6 - ALLOWANCE FOR DELINQUENT TAXES

RESPONSE: We will analyze taxes receivable each year-end, set up an allowance for uncollectible taxes and write off old receivables.